

"Smokers Angry About Price Hike But Still Light Up"
Reuters (11/24/98)

New York--Smokers were fuming over the unprecedented leap in cigarette prices that took effect Tuesday, but by and large it didn't keep them from lighting up or buying more. The morning after the major tobacco firms raised their list--or wholesale--prices 38%, smokers found themselves shelling out another 45 cents a pack. Around New York, a pack of Marlboro was selling for \$3.45. At news stands and tobacconists, the higher prices prompted gripes from smokers, but shopkeepers said all but a few customers coughed up the extra four dimes and a nickel. "Only two or three people have walked out," said the operator of a news and snack shop in lower Manhattan. "I'd say 95% of the people are still buying, and those that don't today will be back tomorrow or the next day." "What do you expect--it stinks," said Gloria Dedham, taking a cigarette break outside her office building. "Am i going to quit because of it? No."

Industry watchers agreed that responses like Dedham's will probably be the most common. The increase is not likely to prompt a huge jump in the number of people who quit, they said, but the rise would put their models of price elasticity--or the response of consumption to price movements--to their most significant tests ever. The analysts on average expect the new prices to contribute to an 8 to 12% drop in industry shipments, and an overall consumption decline by smokers of about 10%. While a few more people will quit, most of that decline is seen coming from smokers cutting back on their consumption and fewer new smokers coming into the market.